



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 10, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Throckmorton
Charter Number: 6001**

**210 North Minter
Throckmorton, TX 76083**

Office of the Comptroller of the Currency

**Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, TX 75201**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of the First National Bank of Throckmorton, Throckmorton, Texas as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 10, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

First National Bank of Throckmorton's lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 52% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A substantial majority of the bank's loan activity (95% of the number and 97% of the dollar amount of the loans reviewed) originated within the bank's assessment area.
- The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- There have been no CRA complaints filed against the bank.

SCOPE OF EXAMINATION

Our examination was conducted using small bank CRA procedures. While all lending activity since the last CRA examination (June 3, 2002) was subject to sampling, we focused our attention to the lending activity since October, 2006. This activity is more indicative of management's thought process and procedure. Our CRA community contact identified general consumer credit as a primary need, which resulted in our inclusion of all consumer purpose loans, with the exception of 1-4 family mortgage loans, in the population subject to sampling. Our sample products included consumer loans and general commercial loans. Our initial sample included 20 of each of these products to determine whether the bank was lending primarily within its assessment area. Loans located outside the assessment area were replaced with loans located in the assessment area for other analysis contained in this Performance Evaluation. We did not perform a data integrity review at this examination. The bank has several bank affiliates related through ownership. We did not review any affiliate activity at this examination.

DESCRIPTION OF FIRST NATIONAL BANK OF THROCKMORTON

First National Bank of Throckmorton (FNB) is a community bank located in Throckmorton, Texas. Throckmorton is the county seat of Throckmorton County and is located approximately 150 miles west of Fort Worth, Texas and 100 miles northeast of Abilene, Texas. The bank operates from one location in downtown Throckmorton. This facility includes a full-service lobby and a drive-thru teller facility.

FNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers transactional Internet banking. As of June 30, 2002, FNB has total assets of \$24.2 million, total loans of \$9.9 million, and deposits of \$21.4 million. The bank's major lending activities are summarized in Table I on the following page.

Loan Category	\$ (000)	%
Agricultural Loans	\$4,623	46%
Real Estate Loans - Farmland	\$2,496	25%
Consumer Loans	\$977	10%
Real Estate Loans - Residential	\$546	6%
Other	\$483	5%
Commercial Loans	\$478	5%
Real Estate Loans - Commercial	\$267	3%
Total	\$9,870	100%
Percentage of Loans to Total Assets: 41%		

FNB is a wholly owned subsidiary of Throckmorton Bancshares, Inc., a one-bank holding company, headquartered in Throckmorton, Texas. The bank is affiliated through common ownership with the following banks: First National Bank of Borger, Citizens National Bank of Breckenridge, First State Bank of Canadian, N.A., First Coleman National Bank, Friona State Bank, Graham National Bank, First National Bank of Olney, Farmers National Bank of Seymour, Rose Rock Bank, and InterBank. All of these banks are located in the north central to western portions of Texas with the exception of Rose Rock and InterBank, which are located in Oklahoma.

The most recent CRA examination was performed as of June 3, 2002. FNB received a satisfactory rating at that examination. The bank has no impediments, legal or otherwise, which would hinder its efforts to help meet the credit needs of its assessment area. There have been no changes in the bank's corporate structure since the last examination.

DESCRIPTION OF THROCKMORTON COUNTY

FNB defines its assessment area as Throckmorton County. Throckmorton County consists of one census tract, which is designated as middle income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Derived from 2000 Census Bureau and 2006 Housing and Urban Development Agency (HUD) data, the following table reflects the assessment area demographics.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	535
Number of Households	763
Geographies	
Number of Census Tracts	1
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,300
2006 HUD-Adjusted MFI	\$43,100
Economic Indicators	
Unemployment Rate	2.11%
2006 Median Housing Value	\$36,800
% of Households Below Poverty Level	12.71%

Area economic conditions are stable. The area is primarily rural with large areas of ranch and farm land. The major employers are the county, school districts, hospital, and highway department. The economy is highly dependent upon agriculture and oil and gas production. There is one other financial institution located within the bank’s assessment area, a branch of a bank headquartered in Graham, Texas.

In addition to meeting the community credit needs through the lending function, the bank is highly involved in the community through significant donations. In 2005 and 2006, FNB contributed \$151 thousand for a new x-ray machine, community pool refurbishment, downtown beautification and signage. Commitments for 2007 and 2008 are \$200 thousand and \$145 thousand, respectively, for community beautification and improvements.

We made one community contact with an official of Throckmorton County. The contact was complimentary of both financial institutions located within the assessment area. She was unaware of any credit needs not being met by the area financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions are based on the bank's lending activity since the last CRA examination, dated June 3, 2003. As noted above, FNB continues to make consumer and commercial loans. Our assessment is based on a review of samples of 20 consumer loans and 20 business loans. Our overall analysis indicates the bank is meeting the standards set out by the CRA.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average LTD ratio for FNB since the last CRA examination is 53%. The assessment area has a limited number of competitors. However, the surrounding counties contain a number of competing financial institutions. In this area, there are eleven other financial institutions with average loan-to-deposit ratios ranging from 22% to 98%. Based on this information, the bank's LTD ratio is reasonable and within the range of area competing banks.

Lending in Assessment Area

FNB's lending within the assessment area exceeds the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FNB's lending efforts are concentrated within the assessment area reviewed.

At this time, FNB does not track loans by location. To assess the bank's performance in this area we used the samples noted above. Based on our sample results, a significant majority of loans are within the bank's assessment area. The following table reflects the results of our assessment of the bank's efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer Loans	18	90%	\$43	69%	2	10%	\$20	31%
Business Loans	20	100%	\$1,198	100%	0	0%	\$0	0%
Total Reviewed	38	95%	\$1,241	97%	2	5%	\$20	3%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s loan distribution, to the different family and household income levels as well as businesses of different sizes, exceeds the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess the bank’s efforts, we used the samples noted above. Our analysis, detailed in the tables below, indicates that the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank does not have a minimum loan amount in policy. A review of small loans reflected the bank has several loans with originating balances of \$1,000 or less currently on the books (the lowest originating amount was \$450). We noted there were several other loans with originating balances between \$1,000 and \$1,500. This indicates the bank willingly extends credit to meet the needs of the consumer. Overall, we concluded that the bank’s performance is generally proportionate to the income levels of the households within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, the bank meets the needs of the small businesses.

Consumer Lending

Borrower Distribution of Consumer Loans in Throckmorton County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.3%	50%	18.5%	20%	21.6%	10%	36.6%	15%

Note: 5% of the number and 3% of the dollar amount of loans sampled did not have income information.

Business Lending

Borrower Distribution of Loans to Businesses/Farms in Throckmorton County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58%	3%	39%	100%
% of Bank Loans in AA by #	90%	0%	10%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

Geographic Distribution of Loans

A geographic distribution analysis was not performed. There are no low- or moderate-income census tracts within the assessment area.

Responses to Complaints

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.